

RECEIVED FEB 20 1934

# The AMERICAN OBSERVER

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe*



VOLUME III, NUMBER 23

WASHINGTON, D. C.

FEBRUARY 21, 1934

## Crises Break Out In France and Austria

**Serious International Complications Feared as Result of Paris Cabinet Collapse**

### DEPRESSION ROOT OF TROUBLE

**Economic Ills and Political Corruption Exhaust People's Patience**

This is a month of turmoil and anxiety and crisis in Europe. Two countries are now holding the center of public attention—France and Austria. France has been threatened by revolution. Mobs howled and fought their way through the streets of Paris and compelled the resignation of the cabinet. Scenes reminding one of the French Revolution of more than a century ago were enacted, and though the selection of a new cabinet, commanding apparently the confidence of the masses of the people, quieted the storm, the state of things, due to economic unsettlement and popular discontent, remained serious. In Austria the Nazis, similar in purpose to the Nazis of Germany, and determined to bring their country into union with Germany, have been growing in strength. They have been assisted by the Germans. They threaten now to dislodge Chancellor Dollfuss of Austria from power, to establish their own rule, and to bring Austria into close alliance, or possible union, with the great Fascist neighbor to the north. The neighboring nations, though disapproving, stand by, apparently helpless to save Dollfuss and the anti-Nazi government in Vienna and to save Austria from German dominance. The disturbances in France render the French incapable, for the present, of assuming leadership in opposition to the German plans. Such was the situation in Europe in the middle of February. But now let us turn again to France to see what has been happening there, and why.

#### French Troubles

Why has there been rioting and bloodshed and disorder in the French capital? That question is somewhat puzzling to a foreign observer. The French people appeared to be peaceful enough until a few weeks ago when news came of a rather serious scandal. A man named Stavisky maintained something in the nature of a pawnshop and swindled patrons, of whom there were a great number, out of several million dollars. It appeared that he was closely associated with men of high rank in the government. Apparently he received protection from them. When his operations were exposed as fraudulent, his life was taken, either by himself or by certain public officials who feared exposure. This created a great scandal and there was a tremendous uproar throughout France. There were charges that the government was corrupt and should be put out.

If this incident were taken by itself, it would seem insufficient to have stirred up such a clamor. At least, so it would seem to Americans, accustomed as they are to frauds and scandals of much larger proportions. Americans who stood by in silence in the face of the oil scandals a few years ago and who have been fleeced by the Insulls and the international bankers

(Concluded on page 6)



GEORGE WASHINGTON

(From the model of a statue by Houdon in the state Capitol in Richmond, Virginia.)

## Our National Heroes

This week we pay a tribute of respect to the memory of a great national hero. We celebrate the birthday of George Washington, and it is appropriate that we should reflect upon the qualities which contributed to his greatness. The more we study the career of Washington the plainer it becomes that his position in history is due to sterling qualities of character rather than to technical expertness or brilliance of mind. "There have been greater generals in the field and statesmen in the cabinet in our own and other nations," says James Truslow Adams. "There has been no greater character." "When we think of Washington," continues the historian Adams, "it is not as a military leader, nor as an executive or diplomat. We think of the man who by sheer force of character held a divided and disorganized country together until victory was achieved, and who after peace was won still held his disunited countrymen by their love and respect and admiration for himself until a nation was welded into an enduring strength and unity. . . . When the days were blackest men clung to his unfaltering courage as to the last firm ground in a rising flood."

Earlier in the month it was Abraham Lincoln to whom the nation turned in grateful memory on the occasion of his birthday. And Lincoln, too, was a man who is remembered through the ages, not because he was a genius but because he was a man of common sense, coupled with broad sympathy and magnanimity of a sort which is seldom found.

The American people are fortunate in having as national heroes men whose greatness depends upon qualities of character rather than upon marvelous technical or intellectual achievements. It is hard to find inspiration in the activities of one whose footsteps we could not hope to follow, whatever our efforts might be. It would be discouraging for us to attempt to model ourselves after an acknowledged genius but the qualities which we honor in Washington and Lincoln are qualities which each one of us may develop and build into our own personalities. Each reasonably endowed person may train his judgment and so add to his equipment of facts that he will, in the main, act sensibly. Each one may be honest. Each one may train himself in courage and loyalty. Each one may grow in human sympathy and magnanimity. And these are qualities which in every case will make, if not for greatness, certainly for popularity, for success, for self-respect and for real achievement in the public and the private life.

## President Asks For Market Regulation

**Message to Congress Requests New Legislation to Govern Security Exchanges**

### BILL STARTED IN BOTH HOUSES

**Measure Will Affect Several Million American Citizens Directly**

When the readers of American newspapers saw the report last week that the president had called for regulation of the stock exchanges and that a bill to that end had been introduced into each house of Congress, many of them may have put their papers aside with the thought that stock exchange regulation was not very important and certainly not very interesting. "What has all this to do with me?" some of these newspaper readers may have said. "This is a matter of high finance. It does not affect ordinary people like myself." But one who made a remark of that kind would have been greatly mistaken. The stock exchanges deal with something which is of vital concern to the nation and all the people. On these exchanges shares of ownership in the nation's industries are bought and sold. The savings of millions of the people are there invested. Prices are determined. The business stability of the entire country depends in no small measure upon the transactions which are made on these exchanges. The stock exchange operations affect millions of Americans directly every day and they affect the rest of us indirectly. The administration is now undertaking a regulation of the stock exchanges for the purpose of making American business sounder and more stable and of protecting those who make investments in the country's industries. This regulation of the exchanges may be very far-reaching in its consequences. It may turn out to be one of the most important features of the New Deal program. The problems of the stock market and its regulation are, however, quite complex and before tackling them one should make some study of their economic backgrounds.

#### Economic Background

In the early years of our history businesses were owned and managed by private individuals. If a man had a few thousand dollars or even a few hundred dollars to invest, he built a little store or shop, employed a few assistants and went into business. If the enterprise were a little too big for him, he took one or two or three of his friends into partnership, and these partners ran the factory, or store, or shop. But as the country grew and industry developed, things began to be done on a larger scale. Larger shops, or stores, or factories took the place of the smaller. It became very hard for single individuals, or little groups of individuals, to get together enough money to start banks, or shops, or factories, or railroads, or shipping lines which could compete with the bigger ones. To meet the situation a new form of ownership grew up. The corporation came in, in place of private, personal ownership and the partnership. The corporation is a company, composed usually of a considerable number.

(Concluded on page 7)



# Notes From the News

**Machines May Replace Silkworms; County Governments Obsolete; Black in the White Light; Leisure Pastimes Compiled; LaFollette Runs Again**

**WE ARE** at the beginning of a chemical Utopia, according to Professor Colin G. Fink of Columbia University. He expressed this opinion in a recent article in *The Engineering and Mining Journal*.

Future generations, Professor Fink says, will "listen with a smile to an account of how thousands of worms were carefully nurtured on mulberry leaves in specially constructed houses, how these worms were induced to spin cocoons and how these cocoons were unwrapped, the thread forming the basis of our entire silk industry." Before long, the professor believes, factories will take the place of worms in the making of silk. The making of rayon and similar fibers is already a step in this direction.

Professor Fink also believes that in the not too distant future, civilization will be independent of the farm for food. He says that "the actual energy finally turned into blood and bone is ridiculously small when compared with the vast amount of energy expended in producing these staple food products."

Moreover, the Columbia professor foresees the mixture of certain elements to bring forth an array of new metals and the gradual replacement of inferior metals with superior ones. "We must get away," he declares, "from the belief that the compounds of the earth's crust are the only ones possible. With the facilities at our disposal we can, at very high temperatures, or under the influence of very powerful electric discharges, or through the action of powerful chemical and physical means, bring about reactions which even nature has not produced in the past."

## County Governments Out-of-Date

"Of all governments, the county has undergone least change. With few exceptions it is the vehicle of four generations ago, when the oxcart sufficed for transportation." So remarks J. Thomas Askew in an article in the magazine on municipal affairs, *The American City*. Mr. Askew, who teaches at the University of Georgia, refers to the oxcart days because it was then that our system of multiple counties grew up. It was necessary in those days to have a great many small units of government. Travel was a slow process. The distance between counties seemed great. Now, however, with modern transportation facilities what they are, the county governments, with their duplication of functions and services, are literally "next door" to each other.

Mr. Askew does not believe that the county form of government will or should become extinct. On the contrary he thinks that the services rendered by county governments will be increasingly in demand.

But he strongly believes that county lines will have to be redrawn on a larger geographical scale, so that taxpayers will not be compelled to continue to bear the burden of waste and inefficiency owing to an overabundance of small and overlapping governments.

## The Senator from Alabama

Senator Black, Democrat of Alabama, is assuming a conspicuous position among his colleagues. Each session he seems to make a decided step forward. It was he who submitted a bill last spring providing for a five-day, thirty-hour week in industry. He deemed such a bill necessary to combat the problem of unemployment due to increased use of labor-saving machinery. It was his opinion, as well as that of many others, that working hours had to be reduced in order that the nation's work could be made available to a larger number of people. Although his bill did not pass, it was the forerunner to the NRA which reduced hours and raised wages.

Senator Black has come into the political limelight this session by heading the special Senate committee which has been investigating air mail contracts. It was largely through the revelations of this committee that the Roosevelt administration canceled air mail contracts with private aviation companies (see page 8).

## Not Very Complimentary

Sir Charles Grant Robertson, principal of Birmingham University, England, does not have a very high regard for his countrymen's mental make-up. His attitude was brought to light when he submitted his annual report last week. His conclusions were as follows:

1. The percentage of really first-rate brains in any class and all classes of the nation lumped together is very small—perhaps four or at most five per cent of the whole.
2. The "success" of any university depends on securing its share of this five per cent.

It would be interesting to know just what constitutes "really first-rate brains" in Sir Charles' estimation.

## Hobbies

"What Do Individuals Want to Do in Their Free Time?" This is the title of an article which recently appeared in the magazine, *Recreation*. The writer of the article said that he asked many people this question. Here are some of the answers he received:

Sitting and talking . . . reading . . . attending movies and regular theatres . . .



A BOOM IN THE GOLD-MINING INDUSTRY

The rising price of gold has spurred gold fields throughout the world to feverish activity. This is the Homestake mine near Lead, South Dakota, on which \$2,000,000 is being spent for improvements.

watching and participating in sporting events . . . entering into civic and neighborhood association activities . . . music . . . nature activities . . . painting, sculpture and other forms of art . . . games . . . dancing . . . travel, not only by ocean liner and by autos, but also on bicycles and tramping on foot . . . discussion groups of all kinds . . . listening to radio.

Stamp collecting is also a favorite hobby of many persons, including President Roosevelt. The more hobbies one acquires the more interesting and pleasurable life will be for him.

## "The New Dealers"

An anonymous writer is creating quite a sensation in the nation's capital through the publication of a series of articles on "The New Dealers." These articles are appearing in the *Washington Post*, a daily morning newspaper. Later they will be published in book form by Simon-Schuster Company, New York.

The writer is reported to know intimately most of the national officials who are now making political history. And it is apparent, after reading several of his articles, that he is an astute political observer. He weaves the personalities and the backgrounds of President Roosevelt and the various officials in with the action they are now taking to deal with unusual times, in fact, revolutionary times. The reason for his writing anonymously, according to himself, is that a certain amount of criticism must enter into his articles and he does not desire to terminate friendships as a result of these criticisms. However, he makes it clear that he is for the New Deal. In fact, he says its appearance on the American scene was inevitable. He continues:

It was caused by one very simple fact—that we can produce more than enough for everybody in this country. This is something new in human history and is a force as explosive as the gunpowder and the printing presses which wrecked medieval Europe. . . .

Whatever happens, the New Deal will go on—as either a peaceful revolution or a bloody one—for 10, 20 or 50 more years, until it has achieved its purpose. It may be halted again for half a generation, as it was halted by the World War. It may move so rapidly as to astound all save those who have studied the acceleration of our physical machinery and technical invention. Slow or fast, the New Deal is moving to establish a better distribution of American abundance, and Roosevelt is simply a symptom of that process and not its cause.

## Safety Code

The National Conference on Street and Highway Safety, whose offices are in the United States Chamber of Commerce Building in Washington, is much encouraged over the fact that 34 state legislatures have now adopted its vehicle code either in whole or in substantial part.

The idea behind the code is that if every state would have uniform traffic rules and regulations, drivers would be in less danger and would have less difficulty in going from one state to another. The code also calls for uniform requirements for efficient standard equipment, including lights, brakes, warning devices, and limitations on the size and weight of vehicles.

While this code is very moderate in its

requirements and regulations it is at least a step forward in the attempt to cut down the tragically high number of deaths due to automobile accidents. Many persons would like to go further in the way of reform than this code does. They believe that one very good way to tackle the motor-vehicle problem would be to place drastic penalties on drivers who are found to be careless or reckless.

## Roosevelt and Progressives

Robert M. La Follette of Wisconsin, a leading Progressive Republican senator, is busily making campaign preparations for next fall's congressional elections. His success at the polls may depend largely upon whether or not President Roosevelt decides to support him for reelection. That Mr. La Follette is anxiously depending upon the president's support is no secret. In the light of the fact that Senator Hiram Johnson of California, another Progressive Republican, has received the political blessing of President Roosevelt for reelection next fall, it is not at all unlikely that the president will also come to the aid of Senator La Follette. For both of these senators were in the Roosevelt ranks during the 1932 presidential campaign.

The friendliness of President Roosevelt toward certain Progressive Republicans is taken by some to indicate that the president is drawing new party lines. It is predicted that the new lines will be on the basis of liberalism versus conservatism rather than on the basis of strict party affiliation.

## School Plan Amended

Relief Administrator Harry Hopkins announced a few days ago that the plan to give federal aid to 100,000 college students has been changed somewhat. The original scheme called for the various colleges to waive tuition and laboratory fees for the students who will be given part-time jobs by the government. It was found, however, that the schools were not in financial condition to enter this agreement, and they will not be required to do so. However, they will cooperate with the government in furnishing part-time work for students.

## Ford Raises Wages

The question of wages and the effect that high or low wages have on business is very pertinent at the present time. Henry Ford recently expressed his views on the question as follows: "It is a losing proposition trying to run a business on low wages."

Mr. Ford has long held that unless workers, who make up a very large part of the buying public, have sufficient money to buy the goods produced by factories, the country cannot prosper. He recently increased the total wages of 20,000 of his workers by \$250,000 a month and he announced that he would make further increases in the near future.



NAZI PROPAGANDA SEIZED

Three hundred pounds of Nazi literature, apparently intended for distribution in the United States, were seized by customs men in New York, aboard the North German Lloyd freighter, *Estes*. Customs inspector, Samuel F. Antz (left) is shown questioning Martin Pallor, the freighter's cook, who is supposed to have been given charge of the circulars.

© Acme Newspictures



# AROUND THE WORLD

**Austria:** The long-awaited outbreak in Austria took place on February 12, when the country was swept by civil war in which well over 400 Austrians were killed. The fighting was between the socialists and the government army, the Heimwehr. The Nazis, who have been trying to bring Austria into the hands of Hitler, remained aloof. They were waiting for the two dissenting factions to battle with each other and then they expected that their day would come. The outbreak came as the result of repressive measures which have been directed against the Socialists by the Heimwehr with the growing approval of Chancellor Dollfuss. The Socialists, seeing their party at the point of being extinguished, resolved to strike. But their decision came too late. The Heimwehr favors Fascism, but in general it is the Fascism of Mussolini and not of Hitler. There are a number of Hitler sympathizers among them, however, and it is easily possible that before long the Nazis will gain control.

**Manchukuo:** The united front of western nations in opposition to the recognition of Manchukuo has apparently broken down. France has succumbed to the lure of trade with Japan's puppet state in Manchuria and other nations may be expected to follow. The French National Association for Economic Expansion, an organization representing thirty-eight groups of French export industries, is negotiating an agreement with the South Manchuria Railway Company, for the economic development of Manchukuo. The railway is owned by the Japanese government and will act as the agency for the purchase of French goods, which will be sold on a fifteen-year credit basis. This

trade pact is likely to be a forerunner of formal diplomatic recognition. Germany is also reported to be dickering with Japan for trade with Manchukuo. Gradually the Japanese conquest of Manchuria is becoming an accepted fact.

**Japan:** "It's a cinch job," breezily remarked Hiroshi Saito, Japan's new ambassador to the United States as he stepped off the boat in New York. He admitted that it was a great responsibility but that there would be no difficulties, because he knew, having lived here a number of years, that there is an essentially friendly feeling between Japan and the United States. "We are not going to fight and don't want to," said Mr. Saito. His easy, open-handed manner is welcomed at this particular time when so much war talk has been current.

**Germany:** Underneath the surface, and overshadowed by more spectacular events, a grim contest is taking place in Germany between the Catholic church and the Nazi government. During the first year of Hitlerism, 200 Catholic priests were arrested and several thousand Catholic leaders deprived of their influence. It is the old conflict between church and state which has proved such a troublesome factor in the history of so many nations. Last July a concordat, or treaty, was signed between the Vatican and the German government. It provided, on the one hand, for complete abstention from politics by the church and, on the other, for non-interference in church affairs by the Nazis. The agreement was negotiated hurriedly, however, and many details were left for later settlement. It is over these details that trouble has arisen. The Nazis dislike the Catholic church's active interest in social

affairs. Charitable and welfare agencies should come under the state, they think. And while they have recognized the right of the church to maintain private schools, they are engaging in vigorous propaganda to induce parents to send their children to public schools. The church, of course, bitterly resents all this.

**Turkey:** For ten years an extradition treaty with Turkey has languished, waiting for ratification by the United States Senate. But on February 5, the Senate took a sudden interest in it. Less than twenty senators were on the floor at the time and Senator Pittmann, chairman of the Foreign Relations Committee, was explaining the treaty, saying that objections to it had been withdrawn. At this point Vice-President Garner broke in and shouted: "Those in favor say aye—those opposed say no. Two-thirds having voted in the affirmative, the treaty is approved." With the enactment of this little comedy, the senators broke out in loud laughter. They had succeeded in playing a trick on Samuel Insull, Chicago utility magnate, who is wanted by the United States government and who has been hiding in Greece. The Greek government has ordered Mr. Insull to leave the country. He would have gone to Turkey had not the Senate forestalled him. Now he must look for another place to roost or come home and face the music.

**U.S.S.R.:** Ever since the revolution, visitors to Moscow have complained of the lack of transportation facilities in Moscow. Street cars, being free, are so badly crowded, that it is often impossible to board them. But the Soviets intend to solve this problem. Work is being rushed

on two main subway lines which are scheduled for completion by November. The excavation is being done by 35,000 men, boys and even girls. The woman's place in Russia is everywhere.

**Rumania:** Four Balkan nations—Rumania, Greece, Turkey and Yugoslavia—have signed a nonaggression pact for five years. Frontiers are guaranteed, disputes are to be settled by arbitration and interference from other European powers in the Balkans is to be unitedly resisted. It is a victory for peace in Southern Europe, but not a complete one. Bulgaria and Albania are not members of the agreement. The Bulgarians objected to the frontier clause because it would imply acceptance on their part of their southern boundary, fixed after the World War. By the treaty of Neuilly, concluded in 1919, Bulgaria was deprived of her Aegean seacoast. Most of the territory she lost went to Greece. Bulgaria hopes some day to regain it. There is still room for trouble in the Balkans.

**Great Britain:** Business reports from England are the most optimistic in years. More than 800,000 unemployed workers have found jobs since last spring, it is said, reducing total unemployment in that country to a figure just above 2,000,000. The automobile trades, like in this country, are booming. The wool and textile industries are also improving rapidly.

The chief worry of Britishers, however, is that recovery forces cannot continue unless tariff barriers are lowered in the various nations of the world. For England must sell her manufactured products abroad in order to import food for her overwhelmingly industrial population.

## WHO ARE THESE FRENCH?

THE word "civilized" is one of the most important in the vocabulary of a Frenchman. His usual comment, when expressing disapproval of someone else's action (which he does frequently), is to say, "Civilized persons don't do such things." And while he may be too polite to admit it to a foreigner, or he may not be fully conscious of it himself, by civilized person he means none other than the Frenchman.

Such an attitude is not adopted by the French through sheer arrogance. They are not deliberately seeking to set themselves above other nations. They are firmly convinced, however, that their culture is the most highly developed in the occidental world. They accept this fact calmly and call other people barbarians.

There are other nations in Europe which might dispute the French claim to the most advanced state of culture, and a good case might be built up in their behalf. But it is not with a controversy of this kind that we are concerned. We are only interested in knowing that the Frenchman considers himself the most civilized of humans. And it must be admitted that there is much to be said in support of his point of view.

For it is certainly true that the Frenchman has learned the art of living with a completeness which is the envy of all who have visited France long enough to know anything about it. His idea of the good life is not tied up with material things such as motor cars, palatial homes and extravagant living in general. Nor does it find its expression in travel, in a life of wide and varied experience. The Frenchman has too much simplicity about him for these things. His ideal is a quiet life with his family around him; a piece of ground to

till and pass on to his son, or a small business which he does not worry about expanding. He likes as much leisure time as possible; he likes to talk. A well-prepared meal to be eaten slowly and calmly is more important than a customer waiting to be served. These are some of the things which mark the Frenchman as a highly civilized individual. Instead of spending himself running after something he prefers to sit quietly and enjoy the little he already has.

Such traits have been France's greatest

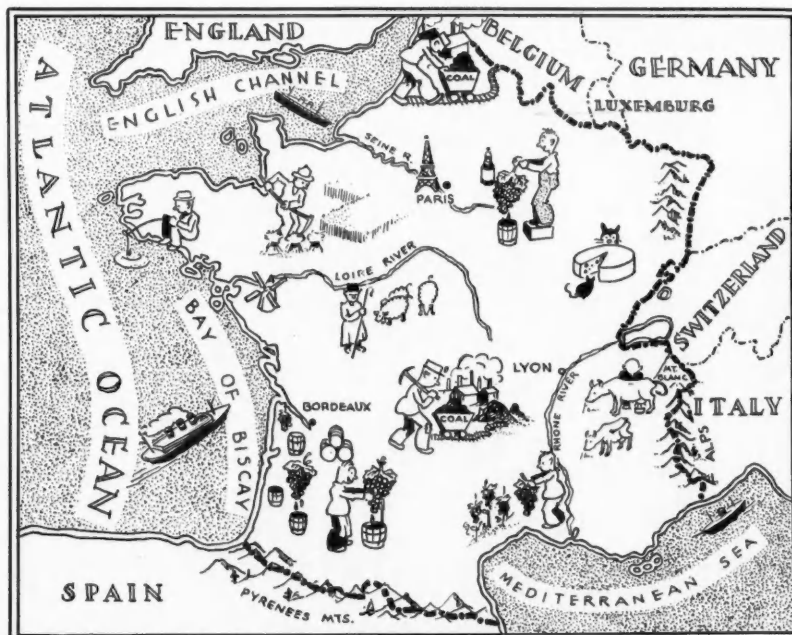
source of strength. Because of them the country has remained for the most part divided among small enterprises. There are, of course, a number of large industries—too many, a number of French think. But mainly France is a nation of small holdings, small towns and villages; a country of middle-class people. Thus, in France we do not find rapid population shifts from country to city and city to country. Property does not change hands with bewildering rapidity. Industry does not encroach upon agriculture, nor does

agriculture prevent the development of industry. A wise balance between the two is preserved.

This is why France came through the early years of depression in better shape than other countries. The people had something on which they could fall back. They were able to get along with part-time employment, because there was usually property somewhere in the family from which support could be drawn. Now, it is true, the depression is affecting France deeply. But it may safely be said that had it not been for the country's fundamental soundness the shock would have come earlier and it would have been greater.

And now that France is passing through a period of grave domestic crisis this same evenness and stability will stand her in good stead. It is hardly probable that the recent upheaval against the government will result in a rapid drift toward Fascism, Monarchism or Communism. For a time, the cabinet may govern dictatorially. In the case of a national emergency, such as a threat of war, the majority of French would most likely support strong, central authority. But in the long run the Frenchman has no stomach for dictatorships, and still less for drastic economic and social changes. He is anxious to preserve his balance, to progress slowly.

In other words, France is not likely to lose her head in a time of crisis. The deep-seated conservatism of the average Frenchman will assert itself. He may lose patience and force a cabinet to resign, but it is only because he wants to return to his normal way of living again. He wants passionately to be left alone, not only by his own government but by foreign countries as well. He wants to go on being civilized.



Drawn for THE AMERICAN OBSERVER

FRANCE



# The AMERICAN OBSERVER

A Weekly Review of Social Thought and Action



Published weekly throughout the year (except two issues in December) by the CYCLES EDUCATION SERVICE, 744 Jackson Place, Washington, D. C.

Subscription price, single copy, \$3 a calendar year. In clubs for class use, \$1 per school year or 50 cents per semester.

Entered as second-class matter Sept. 15, 1931, at the Post Office at Washington, D. C., under the Act of March 3, 1879.

## EDITORIAL BOARD

CHARLES A. BEARD  
GEORGE S. COUNTS

HAROLD G. MOULTON  
DAVID S. MUZZEY  
WALTER E. MYER, Editor

VOL. III WEDNESDAY, FEBRUARY 21, 1934 NO. 23

## SPENDING AND RECOVERY

After the experience of the last three years, during which time economic forecasts have almost universally gone awry, it might be supposed that political and industrial leaders would hesitate to predict forthcoming developments. It is a fact, however, that predictions are being made very freely and that they all point in the same direction. There is very general agreement among forecasters as to what the next few months will bring. Government officials, business men, confidential investment services all are saying the same thing, which is that definite progress toward recovery will be made during the spring months. Some of them predict an increase of ten or fifteen per cent in the volume of business. Others think such a forecast is too conservative; but that business will be good at least until summer is a conclusion which one hears on every hand. The chief reason which is given for this optimism is that the government is putting a tremendous amount of purchasing power into the hands of the public. Three quarters of a billion dollars are being put into the hands of farmers. Three times that much is going out through the CCC, CWA and loans to states for relief. Three billions is to go for public works. A billion more is to go in RFC loans for construction projects. Millions of dollars are to be spent for emergency housing, subsistence homesteads and the Tennessee Valley development.

These figures are too large for comprehension unless we resolve them into terms of some smaller unit. We can see something of what the government's spending program means when we take into account the fact that, according to an estimate just published in *Business Week*, the government expenditures will amount to \$387.50 per family. It will be a little less than that for city families and about \$416 for each farm family. It goes without saying that if every family in the country were put quickly into the possession of \$400 to spend it would mean a tremendous stimulation to business.

Of course, this sort of thing cannot go on forever. It seems a necessary means of priming the pump of industry. Private individuals and corporations do not have credit. They cannot borrow money so as to start industrial operations. The government can borrow the money. There is little doubt but that its credit will be good enough so that it can get hold of the money to further these projects we have mentioned. But the operation could not be repeated year after year. When this money distributed by the government gets into circulation, it will result in the purchase of goods. This will justify an increased production on the farms and in the factories.



ALMOST BEFORE HE GOT STARTED  
—Knox in Nashville TENNESSEAN

More men can be put to work. Will this increased employment be great enough, however, to take up the slack, to furnish work for nearly all of the people of the nation, so that the government can withdraw from the field without precipitating another crisis? That is a question which the coming months must answer.

It is possible that the factories and mills and transportation companies will have such heavy orders that they will have to increase their plants, buy more machinery and equipment. It is possible, in other words, that the stimulation to business given by the government expenditures will lead to an increase not only in the production of goods to be immediately consumed, but that it will also lead to an increase in the demand for capital goods; that is, machinery and equipment. In that case, the heavy industries—the steel and machinery and, in general, the capital goods industries—will be put into operation and unemployment throughout the country may be reduced to a minimum.

Here is the only ground for real concern about present prospects: There is a possibility that, due to the increased use of labor-saving machinery, it will be possible for the factories and plants and transportation companies to handle the increased demand for goods without enlarging their plants or equipment materially and without taking on many additional employees. It is possible, in other words, that the producers of the nation can put out enough goods to satisfy a greatly increased demand without adding to their man power. If that should turn out to be true, it will mean that the depression is more than an ordinary depression. It will appear, then, that we have reached a serious crisis in our economic development due to rapid technological progress. In that case a serious situation will have to be faced when the government withdraws from the field of industrial expenditure and employment.

But that test will not come this spring. It may not come in the summer. Predictions are always dangerous, but the prospects appear very bright indeed for a good spring, and they are at least fair for continued progress on the road to recovery.

## Child Labor

A bitter battle still rages over the child labor amendment, which would give Congress the right to regulate or prohibit the labor of children. The fight is taking place in the various state legislatures, where the measure is up for ratification after being passed by Congress. Many people are opposing it on the ground that it would deprive the states of their rights, and give too much power to Congress. But there are others, among them the militant *Emporia Gazette*, who feel that states' rights are small matters compared to the rights of children:

The big manufacturers are scared pink about the proposed child labor amendment in the United States Constitution.

The amendment was drafted and adopted by Congress as a direct result of the two decisions of the United States Supreme Court declaring the first and second child labor laws unconstitutional. Four out of nine Justices, in passing on the first law, held that Congress already possessed the power to control child labor through its authority over interstate commerce, and one, in his opinion on the second law, held that Congress possessed this power through its taxing authority.

The first Federal Child Labor Act was actually in force nine months before it was declared unconstitutional by a bare majority of one in the Supreme Court, and there was almost universal testimony to its salutary effect. The second was enforced for three years, and its results also were widely acclaimed.

Of all the wild capers of a flabbergasted plutocracy, the mad attempt to defeat this amendment is easily the craziest. And the attempt is doomed. The American child is much more important than the American dollar.

## Air Mail Contracts

To supplement the discussion of events in the air mail investigation which led to cancellation of all contracts, we may learn what newspapers of various viewpoints think of President Roosevelt's action. Here is the comment of the conservative Republican New York *Herald-Tribune*:

When the opportunity for a political gesture arises President Roosevelt seldom hesitates. His instinct for what is politically effective is all but infallible. The question which will be raised by sober second thought in most minds with respect to his air-mail edict is whether he has not, here as in other cases, let political acumen outrun both fairness and good sense.

Enough has plainly been uncovered in the air-mail evidence to cause grave suspicions and to demand a thoroughgoing housecleaning. Such is, indeed, the almost universal tale of subsidies. Whether granted to ship owners or airplane manufacturers or farmers or the needy, they carry grave risks alike of corruption and of waste. Yet, occasionally no other means of support can be found. Whatever unfortunate by-products the air policy of the government has yielded, there can be little question of its overwhelming success on the large horizon. Travel by air has leaped from nowhere to an arm of commerce of the first importance.

Yet without giving this able and important industry a chance to be heard in its own defense, President Roosevelt has abruptly canceled its contracts with the government. The legality of this high-handed procedure may well be questioned. A housecleaning may well have been called for. If there has been graft or excessive profits, the country should know of both and justice be done to those guilty. But to put a match to the whole vast industry of private aviation because of such excesses or incidental corruption is plainly to sacrifice orderly industrial progress to the clamor of politics.

Now we come to a completely opposite view of the president's action. The press of the country has been



YES, BUT WHAT ABOUT THE PANTS!

—Herblock in Chattanooga NEWS

divided almost equally on the question, and the liberal opinion is well expressed by the New York *World-Telegram*:

It required courage for President Roosevelt to order the annulment of all existing domestic air-mail contracts following the revelations of the past week. Patronage and Congressional feelings are involved. The biggest financial interests in the country are involved. But the President has done the job that had to be done.

For a while it was hoped that only a few companies were mixed up in the obvious favoritism and the alleged collusion or fraud. But as the revelations continued it appeared that many if not most of the lines were infected.

The administration had to move on a wide front. It was necessary not only to restore honest dealings in government contracts and clean out an essential public service. It was also necessary for the administration to restore public confidence. The scandals flowing out of Washington during the last fortnight have been injuring the morale of the country at a very critical time.

Drastic administration action on profiteering by aviation and ship companies with army and navy contracts, and even worse practices by army motor contractors, is also needed to steady the public's nerves.

## Too Many Lawyers?

What are the professions of our lawmakers? The following editorial comment from the Portland *Oregonian* describes the make-up of the present Congress, and deplores the fact that the dry hand of the law lies heavily upon it:

A study of the professions of the members of the present Congress has been made by Frances M. Sadd, and is now in the Library of Congress. The gist of it follows:

	Senate	House
Business	10	87
Law	68	256
Journalism	3	7
Editing	3	6
Medicine	1	5
Teaching	2	10
Dentistry	1	3
Farming	4	20

In addition, there were three in the Senate and 25 in the House whose professions were not learned.

The explanations for the predominance of the legal profession do not need to be gone into. The young law graduate runs for office something as a matter of course, and since the making of laws is the principal business of a Congress or a state Legislature, these bodies tend to become filled with lawyers.

Yet there are too many of them. There needs to be a greater leaven of unlegal minds, to keep Congress and the Legislatures a little closer to the people.

We don't blame these college professors for wanting to get jobs with Roosevelt. It's a darned sight easier than staying in the classroom and trying to explain to students all that is happening.

—ALBANY KNICKERBOCKER PRESS

At certain times of the year natives of Central Africa perform a frenzied dance around holes they have dug in the ground. Golf, in fact, is spreading everywhere.

—PUNCH

The fact that silence is golden may explain why there is so little of it.

—OHIO STATE JOURNAL

The lumber situation is improved, according to a recent editorial. That means we are coming out of the wood.

—ATLANTA CONSTITUTION

Aviation is fortunate in the fact that the pilots, however daring, have not been as reckless as the financiers.

—WASHINGTON STAR

Recent scenes in Paris made it seem that La Belle France had become La Bellicose France.

—ST. LOUIS POST-DISPATCH



## WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

### Letters of a Prince

"The Prince Consort and His Brother," edited by Hector Bolitho. New York: D. Appleton Century. \$3.50.

ABOUT two years ago, Hector Bolitho wrote a book on Prince Albert, the husband of Queen Victoria, most of the information for which was obtained from the two hundred letters published in this volume. These letters were written by the prince consort to his brother, Ernst, heir to the throne of Saxe-Coburg.

To the student of history, particularly the specialist on the Victorian period, this collection will prove extremely interesting and valuable. They were written from 1838 to 1862 and thus cover one of the most important parts of Queen Victoria's reign. They reveal much about the life of the German prince at the English court, the influence of Albert over his wife, and the rearing of the Prince of Wales who later became King Edward VII.

Prince Albert is, of course, one of the enigmatic figures of history. Much that has been written about him heretofore belongs more to the field of fiction than to history. Because of the frankness with which he wrote to Ernst, his only brother, these letters will clear up a great deal of the misunderstanding. This book may be recommended to those who would continue their studies in a specialized way, whereas Mr. Bolitho's "Albert the Good" will be of greater value to the readers who are more or less unfamiliar with the life and times of Prince Albert.

### A Historical Novel

"Jonathan Bishop," by Herbert Gorman. New York: Farrar and Rinehart. \$2.50.

THIS is a historical novel of considerable importance. Mr. Gorman has taken for his subject France during the Franco-Prussian War. The history of that period, which witnessed the downfall of the Second Empire and the House of Napoleon and a civil war almost on a par with the French Revolution, is closely woven around the experiences of young Jonathan Bishop of Cambridge, Massachusetts, who was semi-officially connected with the American legation in Paris when the war broke out.

Young Jonathan had gone to Paris to search for a fanatical revolutionary person whom he had met in London. It was largely through the power of this man's oratory that Jonathan was moved to follow him to Paris. But when this man be-

comes a leader in the Communist uprising which immediately preceded the establishment of the Third Republic, the hero discovers that he has been deceived. For he is primarily an American of the Jeffersonian school, bent upon individualism and repulsed by the atrocities committed during the Commune.

This book has a double value as a novel. In the first place, it is exciting because of the momentous events which it portrays. It is filled with dramatic scenes, such as the court life of Napoleon III and the Empress Eugénie, the German bombardment of Paris during the war, the rioting in the streets of the French capital, and the reign of terror which existed during the Commune. Its second outstanding merit lies in its contribution to the field of ideas in political philosophy. Through the mouth of his hero, Mr. Gorman expresses his philosophy regarding man's relation to the state and kindred subjects.

### Wall Street

"The Weeds of Wall Street," by Arthur M. Wickwire. New York: The Newcast Press. \$3.

IT would be extremely difficult to find a more timely book than this discussion of the way the New York Stock Exchange operates. Coming almost simultaneously with the introduction of a bill in Congress for the regulation of the exchange by the federal government, Mr. Wickwire's excellent work enables one to understand why action of a drastic nature has become necessary. It is a book which everyone interested in the economic problems of the day should read very attentively.

Mr. Wickwire is concerned with the many abuses that have prevailed in connection with the stock market. Since he considers the formation of pools by small groups of influential financial interests for the purpose of manipulating the market as one of the most serious abuses, he devotes a good part of his book to that subject. He tells how these pools boost the price of a given stock to very high levels, using many devices to get the public to buy. When the price has been lifted high enough, the pool unloads its stock and reaps a handsome profit. In discussing the manipulations of the pools, Mr. Wickwire is specific. He mentions the various pools that have been formed, gives the names of those who have feathered their nests, and tells how much money they made. It is largely through the operation of these pools, the author declares, that many of the fortunes of America have been made.



FROM THE JACKET DESIGN OF "A MODERN TRAGEDY"

Most of the material in this book was gathered from the investigation of stock market operations which the Senate Committee on Banking and Currency has been conducting during the last year or so. Mr. Wickwire has undoubtedly gone through volumes of testimony to get the facts which he sets forth so graphically. It is his contention that the "weeds"—the various pools—must be uprooted or they will continue "to choke the legitimate functions of a necessary marketplace and visit untold losses upon innocent people." It is interesting that the reforms suggested by Mr. Wickwire are almost identical with those embodied in the bills now pending before both houses of Congress.

### Industrial Town

"A Modern Tragedy," by Phyllis Bentley. New York: The Macmillan Company. \$2.50.

THE subject of Miss Bentley's new novel is modern in the truest sense of the word. Through the medium of fiction, she raises the problem with which nearly everyone is concerned at the present time, the difficulties and weaknesses of our industrial economic order. While the scene is typically English, and even narrowly localized, "A Modern Tragedy" transcends the geographic setting into which it has been fixed. It might well have been written about any similar industrial town, for the errors and problems and weaknesses which it reveals are constantly cropping out almost everywhere.

Unlike her earlier work, "Inheritance," the action of this new novel takes place entirely within the post-war period. In the town of Hudley in Yorkshire we follow the decline and ruin of the textile industry. The plot itself is comparatively simple and the characters are few. We see the effects of the depression upon the factory workers who were fairly well off during the early post-war boom. We become acquainted with the unethical and corrupt business man who becomes rich at the expense of others.

The principal character of the book is Walter Haight, a rather weak and unsympathetic individual, who is an employee in the firm of Messrs. Lumb, dyers and finishers. The Lumb company is representative of the honesty and stability that one admires in business organizations. In contrast to

this, Miss Bentley has introduced the unscrupulous business leader in the person of Leonard Tasker. By flattery, Tasker influences Walter Haight to leave the Lumbs and enter his employ. From that point on, Haight becomes involved in a number of shady deals, which might never have been detected had the depression not lasted so long but which actually resulted in his downfall. A swindle in which he is involved brings tragedy to the town, for it cripples the textile industry and ruins many lives.

✱ ✱

In a short editorial, *The New Republic* states that the American Indian needs a New Deal, too. For many years, experts in social work and various government officials have deplored the loss of land by Indians, particularly in the Southwest. "Lo! the poor Indian," has been a frequent cry. But very little has been done about the increasing poverty of the redmen. The editorial commends the present able commissioner of Indian affairs, John Collier, for his plan to restore allotments of land to the tribes, and not to individual Indians. For forty-seven years the government has tried to break up the tribes and make the Indian into an average American, expecting him to make a living on his land in competition with all our farmers. This plan has failed, according to *The New Republic*, and Congress should help "the first American citizens" by approving Mr. Collier's program of reform in our Indian policy.



© H. & E.  
JOHN  
COLLIER

Emil Ludvig, popular German writer whose biographies have been widely read in this country but whose books were burned by the Nazis, is in the United States on a visit. In a recent article contributed to a newspaper published in Prague, Czechoslovakia, Mr. Ludvig gives some of his impressions about America and the Americans. He finds American women charming, "but all so alike as to be undistinguishable the one from the other. I asked a friend what they are doing when they are not smiling, and his reply was 'they are practicing smiling.'"

✱ ✱

An unpublished manuscript of the life of Christ by Charles Dickens has been recently sold. The manuscript, which contains about 14,000 words, was sold at the rate of fifteen dollars a word. Since Dickens' death in 1870, it has been kept by the family. The United Feature Syndicate of New York bought the serial rights for North and South America.

✱ ✱



COBURG, GERMANY—FROM AN OLD PRINT

(Illustration in "The Prince Consort and His Brother.")





GASTON DOUMERGUE

© Acme Newspictures

## Europe Again Trembles As Crisis Grips France

(Concluded from page 1, column 1)

and the stock market manipulators, and, more lately, by those who have participated in the making of the air mail contracts, find it hard to see why the French have been stirred to revolutionary fury when they were cheated out of a few paltry millions.

The casual observer might jump to the conclusion that the French standard of honesty in industry and politics is higher than the American. He might conclude that Americans are more callous to fraud and graft and corruption. But hasty conclusions of that kind are seldom warranted, and apparently are not in this case. The explanation of the French excitement is to be found, so it seems, in the fact that the Stavisky scandal does not stand by itself in the minds of the French. It is but another bit of evidence of something which they have been suspecting, namely, that their public officials have been ineffective and that some of them have been corrupt. It is a last straw which tends to break patience. Furthermore, the news of this scandal came to a public which was already vexed and out of patience because of political worries and economic grievances.

### Declining French Influence

The political worries result from the apparent loss of French leadership in European affairs. The French people are anxious for security above all other things. They want to be freed from the menace of another German invasion. They had hoped when they won a decisive victory over Germany fifteen years ago that danger from Germany was put aside, or at least might be put aside by vigilance on their own part. They caused Germany to be disarmed and to promise continued disarmament. They restricted German territory. They formed alliances with central European nations—alliances designed to hold German expansion and power in check. They became, for a time, the dominant power in Europe. Lately things have seemed to go against them. The Germans quit paying reparations and it was seen to be impossible to collect reparation payments further. Then the Germans insisted upon rearming and left the

League of Nations. The Germans are now threatening to penetrate into Austria, and after that perhaps venture into central and southern Europe.

France has been unable to check this revival of German power. She has been unable to secure unity of action among Germany's neighbors. One of her allies, Poland, has cooled considerably toward the French and has formed a treaty of nonaggression with Germany. Great Britain has been reluctant to act. Italy and France have snarled at each other. The United States has grown cold, largely because the French have not paid their debts to this country. And so the German menace seems to be reviving and the French are worried more than ever about the danger to security which may arise in the near future. They are inclined to blame their government because it is losing a dominance in Europe which a few years ago seemed secure enough.

France also feels the stirrings of economic discontent. The people of that country have lately been pinched severely by the great world depression. They had escaped the worst effects of the depression until recently. During 1930, 1931 and 1932, while other peoples were suffering from unemployment and were writhing in need and despair, the French were fairly comfortable. There was little unemployment. The people of that country were especially fortunate. Larger numbers than elsewhere owned their own homes and their own businesses. France was a nation of prudent peasants and of independent shopkeepers.

### Deepening Depression

But during recent months things have changed for the worse. The reason is to be found largely in the falling off of the French export trade. Industries which have produced for foreign markets, have found it increasingly difficult to market their goods abroad, so they have had to curtail production, and while unemployment is not as serious as in the neighboring countries, it has developed to considerable proportions. This decline of export trade has resulted from the fact that most of the other nations have gone off the gold standard and their money has

declined in value. France has stayed on the gold standard and the franc has not fallen in value. This operates to the disadvantage of France in foreign markets.

If, for example, an American wished, a year ago, to buy French goods, it was relatively easy for him to do so. His dollar could be exchanged for about twenty-three grains of gold, and with that gold he could purchase twenty-five francs. He could then buy goods in France to the value of twenty-five francs. Now the American takes this same dollar and exchanges it for approximately fourteen grains of gold. He can take this gold and exchange it for about fifteen francs, for the franc, unlike the dollar, has not depreciated in terms of gold. The American buyer cannot now buy goods to the value of twenty-five francs. He buys goods to the value of only about fifteen francs. The dollar, therefore, will not go as far in France as it did before. It takes more dollars to buy a given amount of French goods than it did, and so Americans, who found it profitable enough to buy French wines, or textiles or luxury goods a year ago do not find it profitable to buy them today. Many other people in the world have depreciated currencies, as the Americans have, and find it more difficult to buy French goods. So it is easy to see why French exports are declining.

### The Money Problem

Why has France, then, not gone off the gold standard? Why has she not caused her own currency to depreciate? If she did this, as other peoples have done, paper francs would be easier for foreigners to obtain. They could secure these francs and buy French goods with them and ship the goods abroad. French exports might then be encouraged as American exports were encouraged when this country departed from the gold standard last spring. The reason why the French stand so stoutly by the gold standard, even though it has crippled them in foreign trade, is that they fear inflation. A few years ago France had a sad experience with the currency when it was not attached to gold. The franc then declined in value to about one-fifth of the value it had had. This happened in 1926. Many of the French people lost nearly all their savings.

The French are also struggling under the load of heavy taxes. They do not actually pay out as much money in taxes as Americans do. They pay a little more than two-thirds as much. But the average income in France is only about one-third of what it is in the United States. So, in proportion to incomes, the French pay about twice as much in taxes as Americans do. Now some people pay taxes willingly. The English, for example, are very cheerful about it, even though the load is heavy. But the French are not. They always complain about taxes, and they quite generally evade payment. Lately discontent has been stirred in France against tax-

tion. The government has been running behind in its expenses and the attempt has been made to balance the budget by increasing taxes and by lowering the salaries of government employees. This policy has been very unpopular and has contributed to the unrest.

### Mob Violence

Increasing numbers of the people have been angry and discontented. They have called frequently for a change in government. Several cabinets have been formed, but the new cabinets have been about the same as before. The same sets of politicians have been in control. The people have grown tired of these frequent changes in the government—changes which have brought no change in policies. They have been tired of the ineffectiveness of the government. They have suspected dishonesty. Then when the news of the Stavisky affair came out, patience was strained to the breaking point.

The French, especially the Parisians, are more inclined to fall into mob violence when their anger is aroused, than are some other peoples. It is not surprising, therefore, that mobs demanded the resignation of the cabinet. As soon as these crowds of Frenchmen demanding governmental reform appeared on the streets, they were joined by other groups. A small body of Royalists, demanding a return to monarchy, entered into the demonstrations. These Royalists are small in number but very noisy and violent. Then there were Communists, wishing not merely reform of government but an overthrow of the whole capitalistic system and the establishment of a régime like that of Russia. In addition to these elements, all bent on some kind of political action, there were large numbers of hoodlums such as always become active when there is any kind of disorder. These toughs and hoodlums were out, not for political reform of any kind, but for excitement and plunder.

### Present Situation

The threat of revolution was put aside temporarily by the resignation of the cabinet and by the appointment as premier of Gaston Doumergue, a former president of the French republic. Doumergue is a man of scholarly and simple tastes, who hails not from Paris, but from one of the southern provinces. He is well liked by the French people and has a reputation of uprightness and integrity. In politics he is a conservative, but he has established a cabinet composed of leaders of several of the more important political parties. He was brought from retirement to assume a leadership in the French nation and he is undertaking to give his people a nonpartisan and efficient administration. Since he is so popular with the people he may be able to stem the tide of discontent, but the difficult problems of money and prices, and public finance, and foreign trade and unemployment call upon him for positive action and they will test his statesmanship and his permanent success.



—Courtesy of the New York Times  
THE NAZI SHADOW OVER EUROPE

The shaded areas on the map indicate those countries which are threatened by the spread of Nazi influence. Austria immediately and then Hungary, Czechoslovakia and Yugoslavia.



# Regulate the Stock Market?

(Concluded from page 1, column 4)

ber of men. The ownership of this company is divided into a great number of shares of stock. Individuals buy shares of stock or of ownership in the company. Each one's responsibility depends on the number of shares he holds and each one's profits also depend upon the proportion of the ownership which he possesses. Under the corporation system it is possible for the savings of hundreds or thousands of men to be brought together in a single company.

Under present conditions, then, a man with a few hundred or a few thousand dollars to invest does not ordinarily start up his own business. Instead, he buys a share in some large business company. If one has \$5,000 to put into a business, he cannot start a small steel mill. He may, however, buy 100 shares of stock in the United States Steel Corporation, for shares of stock in that great company are selling for only a little more than \$50 each. Of course, the man going into the steel business in this way owns but a small part of the United States Steel Corporation, for that company is made up of 8,703,252 shares. The investor with \$5,000 who buys into "U. S. Steel," therefore, owns but about 1/87,000 of the company. He is but one of the 182,000 individuals who own shares in the United States Steel Corporation.

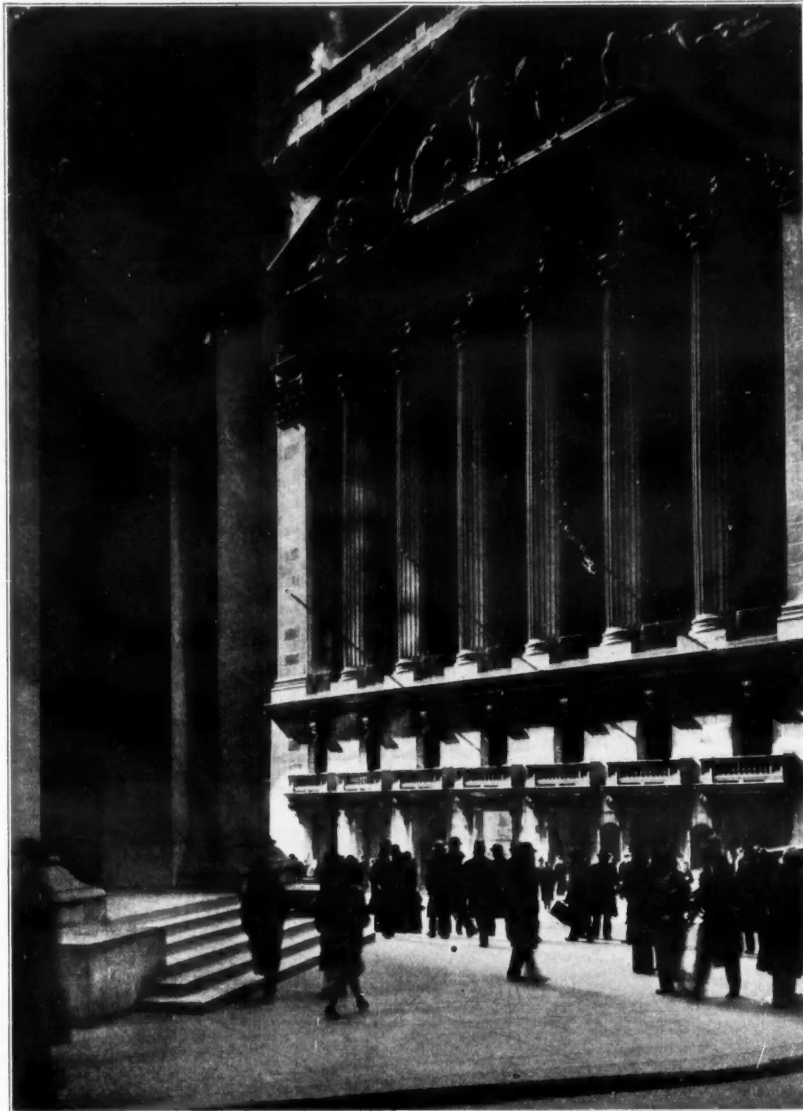
## Millions Are Affected

We have said that the United States Steel Corporation was divided into 9,000,000 shares of stock and that these shares were owned by 182,000 persons. The ownership of other great corporations is similar to that of this great steel company. Although the powerful duPont Company owns a controlling interest in the General Motors Corporation, 189,000 persons own stock in it, or did in 1929. 196,000 persons participate in the ownership of the Pennsylvania Railroad. There are 59,000 owners of the Atchison, Topeka and Santa Fe Railroad. About 60,000 persons own shares of stock in the General Electric Company. 104,000 share in the ownership of the Standard Oil Company of New Jersey although the Rockefeller interests control that company. The American Telephone and Telegraph Company is owned by 469,000 persons—nearly half a million. In 1929 it was estimated that between 4,000,000 and 7,000,000 persons owned stock in corporations.

Some of the owners are, of course, very wealthy, owning huge blocks of stock. Others are clerks, laborers, school teachers, doctors, mechanics—ordinary individuals with a little money to put aside. They are putting away small holdings by buying shares in the great business concerns of the nation. They are doing it because small private businesses no longer thrive and because the ownership of shares in big corporations has become the accepted means of saving money and of reaping profits through the increasing prosperity and growth of the country's business.

In order that people may be able to buy and sell stock in corporations quickly, these corporation shares are listed on stock exchanges, and these exchanges operate in many of the cities of the country. The largest of them is the New York Stock Exchange. A person can go into one of these exchanges, or one of their many branches, and buy or sell shares in any of the great corporations in a few minutes' time. The operation is even more convenient than that. The prices at which shares are selling are telegraphed all over the nation so that one can go into a small broker's office, or a bank, anywhere, and by wire buy or sell stock at pleasure.

Many people buy stock as speculators rather than as investors. They may buy on margin. They borrow a large part, perhaps the greater part, of the amount they pay for the stock. One may buy 100 shares of United States Steel worth, let us say, \$5,000. He puts up \$500 and bor-



THE NEW YORK STOCK EXCHANGE

© Ewing Galloway

rows the \$4,500. He knows that if the market goes down from \$50 to \$45 a share, his entire \$500 will be wiped out. The broker who lent him the money will tell him to sell the stock. So unless he puts up more money he will lose everything he had. But on the other hand, if the price goes up from \$50 to \$55 a share, and if he sells then, he will have doubled his money. This is trading "on margin"—on borrowed money. That is the way that thousands or millions of people see their savings wiped out every year.

## Price Manipulation

But why does stock fluctuate so widely in price? Why is it that a share of stock in a great corporation may sell for \$15 at one time and \$20 the next week, and then \$10 a few days later? It isn't because business prospects change so swiftly in that time. It is because the prices of stock are manipulated by wealthy men. Several of these great traders in stock go together, forming what is called a "pool." They buy large shares of stock in some corporation and continue their buying for several days, and this causes the market to go up. People all over the country, small investors who know nothing of what is happening, see the record of these large sales and of the increase in price. These wealthy manipulators not only buy the stock, but they hire financial writers to spread stories to the effect that this stock is worth a great deal more than the market price, that its prospects are very good. Then the common people of the country, the little investors, the small business men, the clerks, the mechanics, those who have a little money to invest, rush into the market. They want a part of the gains and they begin buying the stock. When this happens, the large manipulators begin quietly to sell, the little fellows be-

ing the buyers. After a while the big manipulators have got rid of their stock on a rapidly rising market, selling for more than they paid. Then, since they have withdrawn from the market and have quit buying, the market price begins to tumble. The little fellows find their savings vanishing.

## A Typical Case

Here is a typical instance of how that works. In 1928, even though business was at that time good, the Kolster Radio Company was losing money and apparently was going to the wall. One of the big owners of the company had 250,000 of the 800,000 shares. He saw how things were going, and he wanted to get rid of his stock before the crash. So he hired agents to spread rumors to the effect that the Kolster Radio Company was very prosperous, that its business prospects were exceedingly good. These reports were published in the financial journals. Then he began to buy and sell stock at the same time. This created the impression that the market was very active. Other people, seeing this, small investors who knew nothing of what was going on, began to buy. As their buying increased, his selling increased. He could now sell stock rapidly. The public was taking it up. The price of Kolster Radio shares went from about \$70 to \$95. By that time he had got rid of his 250,000 shares of stock and withdrew from the market. After a while, then, there being nothing to keep it up at its fictitious value, the stock began to fall. It went from \$95 to \$2.50. Then the company went into the hands of the receiver. The stock became worth nothing at all. Thousands of relatively poor people lost all their money in it.

This is not an isolated case. It is happening all the time. Nearly all the big

companies have their prices manipulated in that way. Many of the leading financiers of the nation have taken part in such dealings and have pushed markets up to their own advantage, only to have these markets go down to the disadvantage of small investors. Such manipulation has had several effects. It tends to enrich the already wealthy manipulators in Wall Street by taking money out of the pockets of the "small fry" and draining it into the pockets of these wealthy men. Next, it makes the whole stock market unstable, causes too wide fluctuations and makes the investment in corporations unsafe for honest investors. Another effect is to disturb general business, for when shares of stock in great corporations go skyrocketing, only later to crash, thousands or millions of people lose their money, confidence in business is disturbed, and business itself often suffers a decline. Thus the whole nation is affected, and seriously affected. Furthermore, all these operations, causing wide fluctuations in the price of stock, are an inducement to the people to gamble rather than invest. It helps to create a gambling psychology, to make it appear that the man who works and puts by his money can make nothing, whereas the real way to make money is to gamble on the prices of securities in the country's industries.

## Proposed Legislation

The legislation introduced into Congress undertakes to stop these great and major evils. These bills forbid pools. They forbid traders to work together for the purpose of affecting the market. They forbid any owner of stock to buy and sell it at the same time. It is thought that this will prevent large holders of stock from creating an impression that the stock is very active on the market and is therefore going up. It will thus make it hard for these large holders to make their stock a bait for the speculative public. It is made unlawful for any broker, or anyone else, to spread a report that a pool is being formed to boost the stock and that it is therefore desirable for people to buy it. It is unlawful for anyone to spread a false report designed to affect prices. Furthermore, buying on margin is checked by a provision that if anyone buys stock, he must put up at least sixty per cent of its present value.

The brokers are a unit in opposing this legislation. They say that if the bills are enacted into law they will put a stop to fifty per cent of the business done on the stock exchanges of the country. This assertion would seem to justify the charge which has been made that half of the sales on the stock market are made by manipulators with the purpose of affecting prices to their own benefit, or else they are made by persons who are operating on narrow and dangerous margins. There are tremendous interests taking part in fighting out this issue. It is probably true that most of the great fortunes which have been made in this country, especially those which have been made quickly, have been made through a manipulation of the stock market. The holders of these fortunes and those who are interested in thus gambling for great stakes are opposing the legislation. Others are in opposition in the belief that the bills are too drastic and that they will hurt legitimate business. With some of these objections we will deal in this paper as the debates proceed. There is room for controversy relative to the wisdom of certain features of this legislation. It is a fact beyond honest doubt, however, that evils which have grown up in connection with the marketing of shares in the country's corporations stand now as one of the greatest threats to national stability and prosperity, and that a real reform in the stock exchanges, if it is effected, will constitute an outstanding achievement of the present administration.





# The National Capital Week by Week

## A Record of the Government in Action



The administration seems to have set aside a few days this month to be known as Reform Week. It is not certain that the government consciously decided to center its attention upon a program of aggressive reforms or attacks upon the old order. However, that has been the result. Here is a list of the major events of Reform Week:

1. The president canceled all existing contracts with air lines for the transportation of air mail.
2. A presidential message asking for laws to govern security markets was sent to Congress, and a bill for that purpose was introduced into both houses. (See the article on page 1, column 4.)
3. The United States Senate conducted a trial of three air line officials on a charge of contempt of the Senate in connection with investigations of mail contracts.
4. Charges of graft and favoritism in letting army supply contracts were turned over to a grand jury by the attorney general and the secretary of war.
5. Contracts for building army planes were investigated by the Military Affairs Committee of the House of Representatives.
6. The army air corps laid plans to take over the air mail service.

### The President

For almost ten years the government has made subsidies, or gifts, to the air transport lines in the form of air mail contracts, which have been the chief support of the lines. These companies were paid more than the actual costs incurred in carrying mail, so that the industry would be well developed. During the last five years \$82,000,000 was paid to fourteen transport corporations by the United States; in the same time the Post Office Department received \$54,000,000 from the sale of air mail stamps. The difference between these two figures amounted to an outright gift, and the companies have always been expected to use this money to develop America's aviation facilities for the public good. The investigations carried on by the postal authorities and the Black committee, however, have revealed that large sums were paid out in dividends and very high salaries. It was also discovered that political pressure was brought to bear on the Post Office Department by some of the large air lines, in order to "freeze out" small independent companies and secure fat mail contracts. It was these facts, not all of which have yet been sustained, that caused President Roosevelt to issue the order of cancellation.

The president's announcement provoked a storm of controversy and conflicting comment which was restrained only by the fact that just a few men so far know the full extent of the information against the companies. Bewildered officers of the air lines protested, claiming with some justification that they had no opportunity to prove their innocence. Public opinion was divided. It is generally believed in Wash-

ington that the president, Mr. Farley, and the Black committee must certainly have knowledge of facts not yet revealed to the public. Otherwise such a drastic order would seem too severe.

### Congress

Senate galleries were jammed during the week as the trial of three men on contempt

Cracken, his lawyer for air mail matters, and removing from a file of correspondence several letters which had been legally held for examination by the Black committee. He claimed the letters he took were personal, that he had a right to keep them from the committee, and that he had torn them into pieces and thrown them into a wastebasket. Post-

same circumstances, and carried them to New York. But when the committee began action against them, they returned a bundle of letters which they claimed included everything they had taken. Givvin stirred the breathless crowds in the galleries when he testified that Hanshue had not told him to get the letters. This contradicted his previous sworn testimony to the committee, when he stated he had acted on Hanshue's orders.

Defense lawyers claimed that the Senate had no constitutional right to conduct a trial for contempt or to punish citizens. It was a matter for the regular courts, they said, and cited several Supreme Court decisions to back their stand.

This was also the defense made by William P. MacCracken, who amazed the Senate by refusing to appear for trial. For several days he played a game of hide-and-seek with Chesley Jurney, the sergeant-at-arms, which set the whole town to laughing. MacCracken was willing to be arrested a second time by Jurney, but only on condition that the arrest would be immediately followed by a writ of *habeas corpus*, which would bring the matter into court instead of before the Senate. Jurney refused to arrest his man except on his own terms, even when MacCracken appeared at Jurney's apartment and spent the night. Finally the sergeant-at-arms ran away from his prospective prisoner, so that he would not have to arrest him. This furnished plenty of comedy relief, but MacCracken's case will be dealt with seriously, because the Senate is aroused at his antics. The verdict in the other cases was postponed until the Senate could deliberate in secret executive session.

The House Military Affairs Committee has discovered that several companies have made huge profits on contracts to make airplanes for the army and navy. In some cases the profits amounted to eighty per cent; one corporation had made so much money that the army air corps chief forced them to build fifty additional planes at a cost to the government of one dollar each. This inquiry will probably result in extremely careful regulations.

### Executive Departments

The army has been busy preparing to take over the government's air mail business. This is a temporary action, following the annulment of contracts with private companies, but it might be made permanent if it is successful. Air corps officers believe they can do the job, though they are seriously handicapped by lack of experienced pilots and planes which will develop the necessary speed.

With a specific case involving a suspected fraud of \$2,000,000, the Department of Justice has declared war on lobbyists and profiteers in army supplies. The grand jury has this matter under consideration. It is separate from the facts brought out by the House committee. The word "contract" is being used freely in Washington conversations these days. Perhaps even more "Reform Weeks" are coming.



A FORCED LANDING

—Talbot in Washington News

charges progressed. Only "once in a blue moon" does the Senate sit as a court, taking action against private citizens, listening to witnesses and hearing speeches by defending lawyers. The men on trial were L. H. Brittin, extremely tall, nervous, excitable vice-president of Northwest Airways, described by his attorney as "a man with a single-track mind"; Harris Hanshue of Los Angeles, president of Western Air Express; and Gilbert Givvin, youthful Washington representative of the same company.

Col. Brittin was charged with having gone to the office of William P. Mac-

Cracken, his lawyer for air mail matters, and removing from a file of correspondence several letters which had been legally held for examination by the Black committee. He claimed the letters he took were personal, that he had a right to keep them from the committee, and that he had torn them into pieces and thrown them into a wastebasket. Post-

Hanshue and Givvin had also taken papers from MacCracken's office under the

## Something to Think About

1. How is one affected by stock market fluctuations, (a) if his money is invested in corporation shares; (b) if he has no money so invested? Do you consider the operations of stock exchanges a great national problem?
2. Show how prices of stock are affected by unethical manipulations. How is the legislation now before Congress intended to check these abuses?
3. What is meant by buying "on margin"? What harm can such trading do individuals? How may it affect business? How do the operations of the stock market bring about a redistribution of wealth, making the rich richer at the expense of the less well to do?
4. Account for the fact that a scandal involving public officials caused rioting in France, whereas such things produce little excitement in America.
5. Why are the French disappointed with recent international developments? What, if anything, can France do to prevent the spread of German influence in Austria and to the south?
6. Account for the fact that French business is suffering especially at a time when recovery seems to be on the way elsewhere.
7. Characterize the French people.

8. What is the nature of the air mail scandals? Do you think the president was justified in cancelling the air mail contracts?

9. Give figures to show the extent of government spending. How will this help the average family? How will this affect purchasing power, and how, in turn, will that affect business?

10. How, if at all, is your own community being helped by the government's spending program?

**REFERENCES:** (a) Stock Market and the Public. *Atlantic*, October, 1933, pp. 496-508. (b) Other People's Money. *New Republic*, series of articles in following issues: August 2, 16, September 6, 27, October 4, 25 (1933), January 3, 1934. (c) Regulating the Stock Exchange. *Today*, January 27, 1934, pp. 3-4. (d) Economic Crisis in France. *Current History*, January, 1934, pp. 421-427. (e) France Again at the Crossroads. *Review of Reviews*, November, 1933, pp. 37-38. (f) How the United States Is Making Credit and Funds Available; chart. *World Tomorrow*, October 12, 1933, p. 567.

**PRONUNCIATIONS:** Bolitho (bo-li'tho—i as in time), Jugoslavia (yoo'go-slah've-a), Neuilly (nu'yee'—u as in burn), Heimwehr (hime'vair').